

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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U.S. DEPT. OF JUSTICE  
OFFICE OF THE ATTORNEY GENERAL

EXPERIMENTAL RATE AND SERVICE CHANGES  
TO IMPLEMENT NEGOTIATED SERVICE AGREEMENT  
WITH CAPITAL ONE SERVICES, INC.

Docket No. MC2002-2

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS CHARLES L. CRUM  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T3-2-4)

The United States Postal Service hereby provides the responses of witness Crum to the following interrogatories of Office of the Consumer Advocate: OCA/USPS-T3-2-4, filed on October 7, 2002. Interrogatory OCA/USPS-T3-1 was redirected to witness Plunkett.

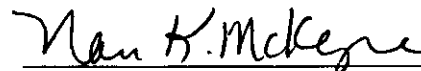
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



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October 17, 2002

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OCA/USPS-T3-2. Please refer to your testimony at page 4, lines 14-15, and page 6, lines 14-15. Excluding cost savings associated with address correction service, please confirm that at the negotiated volume threshold of 1.225 billion pieces, the revenue contribution resulting from Capital One's access to the declining block discounts is a negative \$4.9 million, as shown in the table below. If you do not confirm, please explain.

NEGATIVE REVENUE CONTRIBUTION FROM CAPITAL ONE'S ACCESS  
TO DECLINING BLOCK DISCOUNTS  
(millions)

Increased Contribution from New Volume	\$1.8
Discount Leakage	<u>(\$6.7)</u>
NEGATIVE REVENUE CONTRIBUTION	(\$4.9)

**RESPONSE:**

Using the bottom of the estimated range of the Capital One volume response to discounts and including the discount leakage and increased contribution from new volume alone yields a test year estimated contribution of about -\$4.9 million.

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OCA/USPS-T3-3. Please refer to your testimony at page 6, lines 6-7. Please confirm that the cost savings of \$13.1 million for the electronic address correction service provided to Capital One excludes the negative revenue contribution associated with the declining block discounts. If you do not confirm, please explain.

**RESPONSE:**

The address change service return cost savings measured in isolation yield an estimated test year contribution of about \$13.1 million.

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OCA/USPS-T3-4. Please refer to your testimony at page 5, lines 22-23, and page 6, lines 1-4, where you cite the testimony of Capital One that 9.6 percent of its solicitation mail is returned, and use this percentage figure in your calculations. Do you expect this percentage figure to remain constant, increase or decrease during the three-year period of the experiment? Please explain and provide any available analysis or document to support your conclusions.

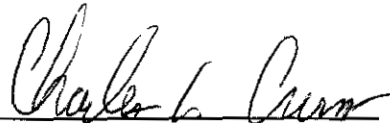
**RESPONSE:**

My analysis is solely based on Capital One's stated expectation regarding its return rate. Please also refer to witness Jean's responses to OCA/COS-T1-11 and 12. If the agreement results in a decline in the return rate (physical returns and electronic notifications combined) as is hoped, this would result in additional savings to USPS.

# DECLARATION

I, Charles L. Crum, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Dated: 17 OCTOBER 2002

  
Charles L. Crum

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

  
Nan K. McKenzie

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